



FRED WILLIAMSON & ASSOCIATES, INC.
Telecommunications Management Services

RECEIVED

AUG 31 1992

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

August 28, 1992

RECEIVED

AUG 31 1992

MAIL BRANCH

ORIGINAL
FILE

Ms. Donna A. Searcy, Secretary
Federal Communications Commission
1919 M Street N.W.
Washington, D.C. 20554

Dear Ms. Searcy:

Enclosed for filing are the original, and eleven (11) copies of the Comments of Fred Williamson & Associates, Inc. in Docket No. 92-135 Notice of Proposed Rulemaking.

Copies are also being mailed to International Transcription Services, Inc.

Please acknowledge receipt of the enclosed by stamping and returning one copy of this letter in the enclosed self-addressed envelope.

Sincerely,

FRED WILLIAMSON & ASSOCIATES, INC.

Marc A. Stone
Manager - Regulatory/Legislative Affairs

MAS/bls

Enclosures

cc: I.T.S.

No. of Copies rec'd
List A B C D E

0711

RECEIVED

AUG 3 1 1992

MAIL BRANCH

RECEIVED

AUG 3 1 1992

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

before the

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

In the Matter of

Regulatory Reform for)
Local Exchange Carriers)
Subject to Rate of Return)
Regulation)

CC Docket No. 92-135

SUBMISSION OF COMMENTS

on behalf of

Fred Williamson & Associates, Inc.

Submitted by:
Marc A. Stone
Manager - Regulatory/Legislative Affairs
Fred Williamson & Associates, Inc.
2921 East 91st Street, Suite 200
Tulsa, Oklahoma 74137-3300

August 28, 1992

RECEIVED

AUG 3 1 1992

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Regulatory Reform for)	
Local Exchange Carriers)	CC Docket No. 92-135
Subject to Rate of Return)	
Regulation)	

COMMENTS OF
FRED WILLIAMSON & ASSOCIATES, INC.

Fred Williamson & Associates, Inc. (FW&A) is a telecommunications management consulting organization in Tulsa, Oklahoma; serving investor-owned, small, rural, independent telephone companies located in Kansas, Oklahoma and Nebraska.

These Comments are filed in response to the Commission's Notice of Proposed Rule Making (NPRM), FCC 92-258, released July 17th, 1992.

I. Introduction

This Notice proposes regulatory reform for interstate services offered by small and mid-size LECs, that remain subject to the rate of return regulation in the wake of the Commission's adoption of a price cap for the largest LECs. Although the proposed rules are intended to compliment the price cap system, by providing incentives for smaller companies to become more efficient and encouraging technological development, it is our belief that the current proposal does not offer sufficient incentives or price/cost efficiencies by which the smallest LECs might participate under this alternative price incentive. FW&A also contends that time has not occurred within the industry's current access separations and regulatory reform schemes for a current assessment of the interaction of existing rules and rate filing methodologies now applicable to the smallest LECs. Until sufficient time has been provided, whereby the smallest LECs may have some predictable period to assess earnings and cost stability, we believe it premature to offer additional options, or to offer to change the current structure by which interstate access rates are set for the majority of the small LECs. All of FW&A's clients are currently in the NECA TS & CL pools; and will be for the foreseeable future, unless drastic changes are imposed upon the pool, its return or related federal rules.

II. Optional Incentive Regulation Plan

As proposed in this Notice, the optional incentive plan appears to offer no positive economic incentive to FW&A's clients, or similarly sized LECs, which would, under present market and/or cost conditions, cause them to opt for such incentive plans. Rather, we believe it is important in an era in which substantial additional new investments, have and will continue to be made by our clients, to also continue to allow them an equally predictable stable period upon which to recover such interstate allocated costs. We believe that current rules and regulations including: full participation in the NECA pooling process, the continued phase-in of the Universal Service Fund (USF) and the final implementation of the phase-in of the Weighted Dial Equipment Minute factor (DEM) have not yet been implemented in such fashion to allow these clients to predict any stability to their costs or future earnings. Therefore, to develop new rules and regulations, substantially changing these conditions under which substantial additional investment in updated network connection facilities are recovered before all present rules are fully implemented is not in the clients', nor subscribers', best long term interest. The current system, and pooling as full members of NECA, currently appears to work; and to provide an efficient economic incentive based plan upon which attributable costs are recovered, in a fair and equitable manner from the cost causers, as jurisdictionally determined under today's rules and regulations.

III. Filing Frequency

The current frequency of annual filings by NECA, and their currently "relatively efficient" method of data development appear to be working, on an adequate basis providing both commensurate risk and reward for the smallest LECs. Although some minor mid-course adjustments have, and apparently will continue to be required, overall the process appears to yield both adequate revenues (based on current Part 65 rules) and marketable access costs charged to the IXC carriers. We do not believe that the current system is sufficiently flawed so that a major overhaul is necessary at this time. Further, NECA is only now recognizing or realizing the efficiencies of several years of their database and current tariff filing methods; which allows certain economic efficiencies to finally be realized for NECA pool members versus individual filings. To substantially change rules will, if one continues in the NECA pooling, add additional cost for: NECA's learning curve, the specific change of methodologies, and, for changes to NECA's database for tariff filing methodologies. These would seem less desirable at the current time than maintaining current methods and ways of filing through NECA, and by the small LECs' pool participation.

IV. Infrastructure in Service Quality Reporting

FW&A believes that current rules and regulations allow sufficient economic incentives for the continuation of the infrastructure investment made, or planned by its clients. All of its clients fully intend to provide Network infrastructure necessary for provision of E800 (March, 1993), SS7 interface, and all related CLASS services as currently envisioned, or hoped for by their subscribers. Also current rules and regulations, as well as the individual company commitment to their subscribers, has provided a service quality in these operating territories second to none. We would certainly not be supportive of any plan which might, on any basis, yield a possibility

of reduced service quality, or perceived service quality by subscribers, as a trade-off for economic incentives. Again, we believe current rules are in place in providing adequate incentives in service and are currently providing adequate risk/rewards that motivate small LECs to continue their accelerated investment in the national network and infrastructure.

V. Historical Cost Tariffs For Small Companies (Sections 61.39)

FW&A supports the April 11, 1989 Petition filed by the United States Telephone Association (USTA) regarding reduced regulatory burdens for depooled small local exchange carriers. Further, we also support the comments filed by NECA and by the Organization for the Protection and Advancement of Small Telephone Companies (OPASTCO) in their support of the USTA Petition. Although we do not currently believe any of our existing clients will opt out of the current NECA pools, under existing rules and regulations, if such changes were to happen, we believe the methodologies contained in the USTA Petition would allow an expeditious method of filing, with adequate regulatory treatment for these companies.

VI. Baseline Rate of Return Regulation Based on Perspective Costs (Section 61.38 in Part 69)

Although we recognize that under alternative regulation, some adjustment method would be required; and should be optional for NECA participants; we are concerned that such adjustment to baseline rate of return regulation could well impose onerous restrictions and/or protracted contention within the NECA pool process. Since NECA is made up of a diverse group of companies with diverse goals, interests, risks and subscriber pressures, it is natural to assume that a unanimous basis of such option would not easily be obtained. It is easy to imagine the contention that might arise to determine upon what basis would NECA optionally change from current participation. It might be: majority of companies? majority of access lines? majority of revenue requirement? or perhaps majority of board members voting? - each of which could lead to both contentiousness as well as divisiveness within the LEC industry. It appears that there is much more to be lost than gained under such adjustment of baseline rate of return regulation for NECA participants in such an option. Further, as pointed out earlier, NECA has developed a substantial database and methodology in support of current tariff filings and historical support. It would be unfortunate to lose the economies of scale in the learning curve that had been derived since May of 1984 by NECA in this process. Since as previously noted in both this request for Comment, and in Docket No. 92-133, only approximately seven percent (7%) of the LEC industry is not now subject to existing price cap regulation, loss could well outweigh gain. Based on only seven percent (7%) of the LEC industry being affected by these proposed regulations, again it seems prudent to allow current regulations to continue to function as they do, at currently acceptable levels and methods.

VII. Streamlined Procedures for Introduction of New Carriers

FW&A fully supports the Commission's proposals for allowing streamlined procedure - fourteen (14) days notice periods and presumption of lawfulness - to new service offerings for rate of return regulated carriers when the services' anticipated revenues are less than two percent (2%) of the company's total annual operating revenue. Further, the use of a benchmark

of neighboring LEC offering rates of same services is a reasonable one. As mentioned earlier, we believe that the carriers we represent have invested, and will continue to invest, in the infrastructure in vital new services required by their subscribers; and that any streamlining of the introduction of these offerings and associated revenues enhances the process.

VIII. Incentive Regulation and Regulatory Reform Within NECA

It is this area of the Commission's Proposal in which FW&A finds itself most troubled. The NECA pooling procedure is meant as a method of risk sharing, and with provision for administrative functions, at economic incentive levels for small carriers, who for various reasons, desire to remain as NECA pooling participants. We believe it imprudent at the current time to endorse options within the pooling procedure. The NECA pooling process has worked since its inception in 1984, and we believe it provides a reasonable risk sharing, and relatively efficient tariff filing method, by which small LECs have been able to continue as full participants in the nationwide infrastructure upgrade so vital to the needs of all telephone subscribers in the nation. We believe that NECA has, in good faith attempted to continually introduce economic efficiencies into their filing and pool administrative procedures, and that there is no anecdotal evidence that additions of optional pooling methodologies or rules will enhance efficiencies or administrative costs. Therefore, we currently see no benefit to all parties; IXCs, subscribers, LECs or policy makers (both state and federal) through the addition of incentive regulation or regulatory reform within the current NECA pool or rules.

IX. Mergers and Acquisitions Under the Incentive Plan

FW&A supports the proposed rules affecting companies involved in mergers and acquisitions, and supports the contention that an incentive plan carrier, which acquires a non-incentive plan carrier, should be required to convert the latter to the incentive plan. We believe that such exceptions as suggested in the NPRM are not necessarily required to continue a valid implementation of the current LEC price caps order.

X. Conclusion

FW&A commends the Commission for its continuing concern regarding the assessment of risk and economic reward for interstate services provided by the small LECs. It is our contention, however, that current rules are efficient and provide sufficient risk sharing and economic incentives for both subscribers and small LECs. Absent the Petition as filed by USTA (April 11, 1989), we believe that current rules provide a sound basis by which jurisdictional costs are developed, and tariffs and their associated rates are filed on a timely and supported basis.